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AUTHOR	Pierce, David
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ABSTRACT

Providing a summary of legislative activity in the First Session of the 105th Congress, this report describes the current status of legislation and appropriations of key interest to community colleges and presents the American Association of Community Colleges' (AACC's) position on these issues. Summaries are provided of 1997 Congressional activity in the following areas: (1) budget and appropriations for fiscal year (FY) 1998 for federal higher education, job training, and other programs; (2) reauthorization of the Higher Education Act, indicating that final action was postponed until 1998 and including a letter from the AACC advocating the reauthorization or termination of specific provisions; (3) workforce education and training, reviewing efforts to consolidate funding for adult job training, applied technology, and adult education; (4) welfare reform, including a newsletter from the AACC reviewing provisions of the 1996 welfare legislation and related provisions from the 1997 budget reconciliation process; (5) National Science Foundation appropriations, indicating that $29.2 million was requested for the Foundation's Advanced Technological Education program; (6) funding for international education; (7) educational assistance provided through new tax policies, including provisions of 1997's Tax Payer Relief Act that have implications for community colleges; and (8) provisions for educational institutions to obtain special rates for telecommunications technology per 1996's Telecommunications Act. For each issue, an AACC position statement and contact are provided.(BCY)

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ED 413 963

AMERICAN ASSOCIATION OF COMMUNITY COLLEGES

Legislative Summary of the 105th Congress
First Session

November 13, 1997

U.S. Capitol Rotunda

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FY 1998 Budget and Appropriations

The agreement between President Clinton and the Congress on an historic plan to balance the Federal budget by Fiscal Year (FY) 2002 enabled the delayed FY 1998 appropriations process to finally get underway. Both the House and Senate Subcommittees on Labor, Health and Human Services, and Education Appropriations received allocations that allowed them to increase aggregate spending for their programs by slightly more than six percent.

The final FY 1998 Labor-HHS-ED appropriations bill has now been enacted; the conference report cleared the House by a vote of 352 to 65, and the Senate by 91 to 4. The conference on the legislation was delayed for some time due to the bill's controversial testing provisions for elementary and secondary students. The Administration strongly backs such provisions, while both liberals and conservatives are vehemently opposed to them, albeit for different reasons. The complex compromise agreed upon by Congress and the President appears to fully satisfy no one.

The conference FY 1998 Labor-HHS-ED appropriations bill contains many items that are positive for community college students and institutions; overall, it increases ED funding by $3.2 billion, or 12 percent. The bill's centerpiece for community colleges is a $300 increase in the Pell Grant maximum, to $3,000, for the award year that begins July 1, 1998. Community college students also won a substantial victory when conferees agreed to provide funding to increase student aid eligibility for single, independent students and dependent students with earnings. Funding was agreed to only after intensive lobbying efforts by community college advocates and others. The exact parameters of this increased funding will not become clear for two or three months; $287 million has been tentatively provided, with a majority of the funds being devoted to the single, independent student category, but these funds are not to be made available to students until the Department of Education is certain that appropriated funds are sufficient to pay for the $3,000 maximum. If they are not, the additional funds must be used for this purpose.

The conference FY 1998 Labor-HHS-ED bill also includes an increase of $31 million for funding in the Supplemental Educational Opportunity Grant (SEOG) program, to $614 million; funding for State Student Incentive Grants was reduced by $10 million, to $25 million, although earlier the program had seemed certain to be terminated; funding for Federal Perkins Loans was cut by $23 million, to $135 million; while funding for Federal College Work-Study was held at the FY 1997 level. Clearly, appropriators emphasized Pell Grants to the exclusion of the other student aid programs.

The House-Senate agreement provides level funding for the Title III-A, Strengthening Institutions, program at $55.45 million; because of the paucity of new grants in recent years and a diminished pipeline, this funding will allow approximately 57 new grants to be awarded in FY 1998. The Carl D. Perkins Vocational and Applied Technology Education Act Basic State Grants received an increase of $14 million, which is a little more than one percent, while Tech-Prep education received a $3 million

increase, to $103 million. The Perkins increase was due primarily to the efforts of Rep. John Peterson (R-PA), who sits on the House Education and the Workforce Committee. TRIO was increased by $30 million, to $530 million.

The most threatening aspect of the original Senate-passed legislation was a provision successfully offered on the floor by Senator Slade Gorton (R-WA). Along with a total of $11 billion of mostly elementary and secondary education programs, Gorton's amendment took 50 percent of all Perkins Act funds and sent them directly to local education agencies--thereby bypassing community colleges, both depriving them of a fair share of the funds and wreaking havoc with the program's operation. After a firestorm of protest, Gorton later announced that he had modified his amendment for the purposes of the House-Senate conference to exclude the Perkins Act and a series of other programs. A similar amendment to Gorton's was brought to the House floor by Peter Hoekstra (R-MI), but it was withdrawn. Fortunately, Gorton's scaled-back amendment did not clear the conference committee. But proposals similar to it can be expected in the months to come, and need to be watched.

AACC Position: Support at least a $3,000 Pell Grant maximum for FY 1998, which will help create greater access to higher education. In the conference between S. 1061 and H.R. 2264, AACC supported the House funding of $528 million for additional Pell Grant eligibility; the higher House funding levels for Perkins Basic State Grants and Tech-Prep; and more generous Senate funding on FSEOG and SSIG. Work in the FY 1999 Executive Branch appropriations process to secure an adequate request for these programs.

AACC Contact: David Baime, Director of Government Relations, extension 224.

Funding for Major Federal Higher Education, Job Training and Other Programs
($ in Millions)

Department of Education	FY 1997 Appropriation	FY 1998 Administration Request	FY 1998 House	FY 1998 Senate	FY 1998 Enacted
Major Student Aid Programs:					
Pell Grants	5,919.0	7,635.0 [1]	7,438.0 [2]	6,928.5	7,344.9 [3]
Maximum Award	$2,700	$3,000	$3,000	$3,000	$3,000
Supplemental Grants	583.4	583.4	583.4	634.4	614.0
Federal College Work-Study	830.0	857.0	860.0	830.0	830.0
Perkins Loans Capital	158.0	158.0	135.0	158.0	135.0
SSIG	50.0	0	0	35.0	25.0
Presidential Honors Scholarships [4]	0	132.0	0	0	0
Early Intervention Scholarships	0	0	0	0	0
SPRE	0	0	0	0	0
Workforce Development Programs:					
School-to-Work Transition/ED	200.0	200.0	200.0	200.0	200.0
School-to-Work Transition/DOL	200.0	200.0	200.0	200.0	200.0
Perkins Act Basic Grants	1,015.6	1,043.5	1,035.6	1,015.6	1,027.6
Tech-Prep Education	100.0	105.0	105.0	100.0	103.0
Adult Education-State Grants	340.3	382.0	340.3	340.3	345.3
Other ED Programs:					
TRIO	500.0	525.0	532.0	525.0	529.7
Strengthening Institutions (Part A, Title III)	55.45	55.45	55.45	55.45	55.45
Hispanic Serving Institutions	10.8	12.0	12.0	12.0	12.0
International Studies	53.5	53.5	54.5	53.5	53.6
Fulbright-Hays	5.3	5.8	5.8	5.9	5.8

1. **Includes $725 million to increase eligibility for single, independent students**
2. **Includes $528 million to increase eligibility for single, independent students, contingent upon authorizing legislation**
3. **Includes $287 million for increased Pell Grant eligibility, to be implemented by ED**
4. **Proposed legislation**

Funding for Major Federal Higher Education, Job Training and Other Programs
($ in Millions)

Department of Education	FY 1997 Appropriation	FY 1998 Administration Request	FY 1998 House	FY 1998 Senate	FY 1998 Enacted
Urban Community Service	9.2	0	0	4.9	4.9
Minority Science Improvement	5.3	5.3	5.3	5.3	5.3
FIPSE	18.0	18.0	18.0	30.0	25.2
Libraries	136.4	136.4	142.0	146.4	146.3
Cooperative Education	0	0	0	0	0

Department of Labor	FY 1997 Appropriation	FY 1998 Administration Request	FY 1998 House	FY 1998 Senate	FY 1998 Enacted
Dislocated Workers	1,293.0	1,350.5	1,350.5	1,350.5	1,350.5
Adult Training	895.0	1,064.0	1,064.0	955.0	955.0
One-Stop Career Centers	150.0	150.0	150.0	150.0	150.0
Summer Youth Employment and Training	871.0	871.0	871.0	871.0	871.0

National Science Foundation	FY 1997 Appropriation	FY 1998 Administration Request	FY 1998 House	FY 1998 Senate	FY 1998 Conference
Research & Related	2,432.0	2,514.0	2,514.0	2,524.7	2,545.7
Education & Human Resources	619.0	625.5	632.5	625.5	632.5
ATE	27.85	29.20	31.2	[6]	31.2
Academic Research Facilities Infrastructure	0	0	0	0	0

5. Funds requested under the Institute of Museum and Libraries Services

6. A specific request for ATE was not included in the Senate Bill

Higher Education Act Reauthorization

The lengthy process of reauthorizing the Higher Education Act (HEA) did not go as far was originally planned in 1997. Both House and Senate authorizing committees have concluded their hearings and committee staff are drafting bills. But committee mark-ups, which were expected in 1997, particularly in the House, have been postponed until 1998. Community colleges were represented repeatedly at the hearings on the HEA renewal; AACC presented testimony three times.

Community college students benefited greatly by the 1992 reauthorization, particularly in the way that the Pell Grant program was modified; that reauthorization resulted in community college students getting larger average grants and an increased percentage of precious program funds. In light of this, as well as developments in the debate about higher education, it is not surprising that many reauthorization policy proposals now circulating would reduce student aid eligibility for thousands of community college students. Some of these measures purport to increase "accountability" in higher education or to raise standards, but often their net effect is to simply deny access to higher education to the most disadvantaged individuals, whether they be defined in terms of available economic resources or educational preparation.

Many of the possible changes to the HEA that would threaten access to community colleges have been around for years. A few of the more commonly discussed proposals include: eliminating, or limiting, the use of student aid for remedial education; tying the receipt of grant aid to college completion; denying access to student aid for individuals lacking a high school diploma or GED; placing restrictions on the ability of students in vocational education programs to be eligible for Title IV aid; and, making Pell Grants "tuition-sensitive," so that students attending lower-priced institutions would not qualify for the maximum grant.

That said, reauthorization also offers promise. Community colleges may be able to achieve a variety of helpful changes. Some of these might include: enhancement of the need analysis formula for single independent students; alterations in statutorily-mandated refund policies; increased student institutional flexibility in limiting student borrowing; minimization or elimination of penalties at community colleges with high default rates; expansion of the use of student aid for telecommunications programs; tighter integration of College Work-Study with jobs in the private sector; streamlining the process of obtaining institutional eligibility and certification through the Department of Education; and simplifying the delivery of student aid.

Many themes are likely to be prominent in reauthorization, including: college costs; access to higher education; accountability and academic quality; the relationship of higher education to the workforce; the future of the two major loans programs, Direct Student Loans and Federal Family Education Loans, and their relationship; the burden of student aid regulations; and the ability of the Department of Education to administer the complex student aid programs.

The Clinton Administration has been tardy in submitting HEA reauthorization recommendations to Congress, but the delay in the reauthorization timetable does give the Executive Branch a chance to have a prominent role in the debate. Some of the Department of Education's tentative recommendations for the HEA reauthorization include a new "Super-Pell" grant that would provide a higher maximum grant for second year students, as an inducement for persistence; a retention grant to institutions that graduate high percentages of their Pell Grant recipients; a limit on Pell Grant eligibility to 150 percent of the timeframe that it takes an individual to complete a course; and a requirement that, in order to for a program of one year or less to be eligible for the use of Title IV funds, 70 percent of all students must complete the course, and 70 percent of those students much be placed in a job relevant to the education or instruction received. It also appears that the Administration will support two longstanding AACC priorities: giving institutions the ability to deny certain categories the full amount of loan funds to which they would be entitled; and increasing the income protection allowances for single, independent students, and dependent students who work.

Reauthorization will not be limited to student aid issues. In this process AACC will also work to revitalize Title III-A of the Higher Education Act (the Strengthening Institutions program), international education programs, TRIO, teacher training, and other areas where support is needed.

Dr. Anne McNutt, president, Technical College of the Lowcountry located in Beaufort, SC, testified June 26 on Title III-A on behalf of AACC before the House Subcommittee on Postsecondary Education, Training, and Life-Long Learning. Dr. Philip R. Day, Jr., president, Daytona Beach Community College, testified before the Senate Labor and Human Resources Committee on July 24. Dr. Day addressed AACC's positions on Title IV, student financial aid, issues.

AACC Position: On February 21, AACC submitted the following document as a comprehensive proposal to the House Education and Workforce Committee on the HEA reauthorization.

AACC Contact: David Baime, Director of Government Relations, extension 224.

AACC
AMERICAN ASSOCIATION OF COMMUNITY COLLEGES

Feb 21, 1997

Representative William Goodling
Chairman
House Committee on Education and the Workforce
2181 Rayburn House Office Building
Washington, DC 20515

Dear Chairman Goodling:

I write as President of the American Association of Community Colleges (AACC) concerning your solicitation for comments on the upcoming reauthorization of the Higher Education Act (HEA). AACC represents nearly 1,100 associate degree-granting institutions of higher education. These institutions and the students they were created to serve have an immense interest in the reauthorization process.

Community colleges strive to be responsive to a variety of needs. The institutions offer transfer education, vocational education and job training, adult basic education, and customized training for employers. Community colleges emphasize access to all individuals who wish to benefit from their programs. The key component of this strategy is keeping tuitions low. The average public two-year community college tuition and fees in 1995-96 was $1,245. Community colleges do this by providing instruction at a fraction of the cost of other types of higher education institutions. Still, we remain concerned about rises in the tuitions of public two-year colleges--in the last five years they have increased 28 percent in real terms.

Additionally, the nation's community colleges believe that federal student aid policies should emphasize providing access to college to the neediest members of our society. Overall college participation by high school graduates in the U.S. continues to grow, but in recent years the gap in college attendance between the most and least affluent has spread. This trend has alarming implications for the future productivity and political and social cohesiveness of our society. For the most disadvantaged students, large amounts of student indebtedness is not a practical option, and the availability of grant funds determines whether or not they will attend college.

AACC starts from the premise that all of the five discretionary federal student financial aid programs and the two major loan programs should be reauthorized. On balance, these programs work phenomenally well, and they have helped create a stronger economy, a better citizenry, and a fairer society. The following are some specific comments on these and other programs authorized by the Higher Education Act:

One Dupont Circle, NW, Suite 410 Washington, DC 20036 (202) 728-0200 FAX (202) 833-2467

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Student Financial Assistance

Pell Grant Program: The Pell Grant Program should be retained in its current form. As presently configured, Pell ensures the broadest possible participation in college for disadvantaged individuals. In particular, we urge that the current student eligibility standards for Pell be maintained. Specifically, 30 units of remedial education eligibility should be continued (Section 410(c)(2)). Students also should continue to be able to use student aid funds for courses in English as a Second Language (ESL) if they are necessary to use existing knowledge, training or skills (Section 401(c)(2)).

AACC supports the Pell Grant award rules established in the 1992 reauthorization. However, if Congress chooses to alter the Pell Grant award rules in this reauthorization, we believe that the same maximum Pell Grant should be available to all students regardless of the cost of the institution they attend. Pell Grants should retain their traditional emphasis on access to higher education (Section 401(b)(3)).

AACC also believes that the existing eligibility for less-than-half-time students should be retained. However, in order to ensure program integrity, these students should carry a course load of at least three credits. Slightly more than 11 percent of community college students receiving Pell Grants are enrolled less-than-half time (Section 401(b)(2)(B)).

Loan Programs: Incentives should be provided to institutions to limit student borrowing in cases where they feel it is inappropriate. The current "professional judgment" accorded student financial aid officers is insufficient to allow them to prevent borrowing by students who, in the formers' best judgement, should not be borrowing. The reauthorized Higher Education Act should permit colleges to set policies whereby entire categories of students would not be given loans or would only be eligible for reduced maximums, so long as the policies are written and uniformly applied to all similarly situated students. This would help promote responsible borrowing, and it would give institutions a needed tool to keep their default rates down (Section 428(a)(2)(F)).

Just as importantly, institutions with a minimal reliance on loans should not be subjected to the loan default penalties in Section 435 of the Higher Education Act. Alteration of the statutory language in the "exceptional mitigating circumstances" section can achieve this. An institution that has fewer than 15 percent of its eligible borrowing population relying on either the FFEL or DSL programs should be exempt from any default-related penalties. The federal government should provide positive incentives for institutions to do whatever they can to inhibit student borrowing (Section 435(a)(2)(A)(ii)).

Finally, the requirement that a student's loan be prorated based on length of program or if a student has less than one academic year remaining should be eliminated. This provision forces students with real educational expenses into higher cost, unsubsidized loans. (Sections 425(a)(1)(A), 428(b)(1)(A), 428(H)(d)(2)).

Need Analysis: The need analysis provisions must be revisited to give single, independent students greater eligibility for student financial aid programs, particularly Pell Grants. This would mitigate the impact of the changes made in the Higher Education Amendments of 1992, which created a severe financial hardship for hundreds of thousands of hard-working, low-income students, because a dramatically greater portion of their resources were assumed to be available to pay for college. We believe that many students withdrew from college because of this drop in the income protection allowance. An income protection allowance of $6,400 should be considered, and it should be indexed to inflation. This would help recover some of the ground lost in the last reauthorization. (Section 476).

Similarly, the earnings of dependent students must also be given greater shielding from need analysis so that incentives for work are retained. Consideration should be given to increasing to $4,200 the protection given to these earnings (Section 475).

Vocational Education Courses: Currently, the Higher Education Act does not make program eligibility distinctions between vocational and academic programs, except in the case of very short training programs (those between 300 and 599 clock hours). AACC urges that this approach be continued. During its tenure, the Clinton Administration has suggested a variety of proposals that would subject vocational education programs to different and more stringent standards than academic programs. We strongly oppose this line of thinking, and anything related to it.

There is a growing consensus that colleges and universities must emphasize the connection between what they teach and the needs of the workplace. Any policies that would undermine the ability of community colleges to deliver vocational education and job training to needy students should be rejected (Section 481(e)(1)).

Telecommunications: Congress moved into this arena in its 1992 HEA amendments, and it now needs to build on those policies. Distance learning is clearly the wave of the future, and student aid policy should reflect this reality. In particular, we recommend that courses offered via distance learning technologies that are part of one-year certificate programs at community colleges be eligible for Title IV aid. (Section 481(l)(1)).

Ability-to-Benefit (ATB) students: The current testing requirement for ATB students (i.e., those who lack a high school diploma or GED) should be eliminated for those individuals attending public institutions that certify that the individual has the ability to benefit from postsecondary education and training. Denying ATB students aid prevents the colleges from meeting a key part of their mission. This approach is especially justified since state and local sources provide almost 70 percent of the cost of educating students; it is wrong for the federal government to undermine the commitment these entities make to serving ATB students. In its regulations concerning ATB students, the Department of Education has made it progressively more difficult for our institutions to serve this population (Section 484(d)).

Refunds: Congress is aware that the current federal refund policies need to be overhauled. These policies are unfair in principle and, to make matters worse, tremendously cumbersome to administer. Institutions should be permitted to use the refund policies established by accrediting

bodies recognized by the Secretary of Education. Lacking that, federal policies should simply conform with state and local policies for public institutions.

AACC particularly objects to the existing requirement that a pro rata tuition refund be provided for 60 percent of a student's first period of enrollment. This is well beyond the point at which the student should know whether he or she intends to finish that academic period. If Congress insists on prescribing college refunds, we believe that it is fair to require a pro rata refund for significantly less than 60 percent of a student's first period of enrollment.

The calculations of refunds also must change. Current regulatory requirements in this area have often resulted in large amounts of time being spent unproductively, as college officials have labored to determine the exact day when a student was no longer in attendance. Students must share in responsibility in this area. We propose that institutions be required to disseminate information about their official withdrawal policies, and that the recorded date of the student's official withdrawal be used as the date for calculating refunds (Section 484B).

Selective Service Administration (SSA) Registration Verification: While the goal that this provision addresses is worthwhile, the verification process has proven to be so burdensome that we recommend its elimination. There is no evidence that non-compliance with SSA requirements is a significant problem.

Program Integrity Triad

State Postsecondary Review Entities (SPREs): The program is essentially dead, and its authority should now be eliminated. SPREs were misconceived from the start; for example, community colleges already undergo extensive review from a variety of public entities, especially various bodies of state government. SPREs represented unnecessary interference into institutional activities (Section 494).

Accreditation: The requirement that accrediting agencies conduct unannounced site visits for institutions with vocational training programs should be eliminated. Unannounced site visits are antithetical to the basic principles of accreditation. Accrediting agencies should not be required to monitor policies specifically related to Title IV (Section 496(c)(1)).

Standards of Financial Responsibility: Public institutions of higher education should not be subjected to these standards. The primary purpose of these criteria is and should be to ensure against precipitous closure of an institution, so that students and/or the federal government are not left vulnerable. There is no evidence that unanticipated closures have been a problem in the case of community colleges, in part because of the level of support they receive from local, state and private entities. And, for all intents and purposes, community colleges simply do not close (Section 498(c)).

Other Issues

Community College Liaison: The "Community College Liaison" should be retained at the U.S. Department of Education. Unlike the current implementation arrangement, the Liaison should report directly to the Secretary of Education. The liaison position has proved especially valuable to community colleges, both in responding to Departmental priorities and regulations, and in promoting the spirit of partnership between the Department and the nation's community colleges.

Title III-A, Strengthening Institutions Program: Community colleges enthusiastically support the Strengthening Institutions program, which has helped hundreds of community colleges improve program quality and institutional capacity. However, some changes are needed to keep the program vital. To help colleges evaluate the effects of their grants, we recommend requiring a two-year "wait-out" period before institutions are permitted to re-apply for grants (Section 313(b)).

Also, "special consideration" should be given to institutions seeking to upgrade and incorporate high technology into their curricula. As we head into the 21st century, an institution can't function effectively without up-to-date technology (Section 311(b)(3)(a)).

International Education: Community college participation in Title VI is primarily focused on two programs: the Business and International Education (BIE) program and the Undergraduate International Studies and Foreign Language (UISFL) program. The existing undergraduate programs in Title VI should be expanded to encourage international education and language study at the nation's community colleges.

As indicated, the foregoing is just a preview of recommendations that will be more fully articulated in the next two months. Many other issues and some other programs could be mentioned. Taken together, however, these recommendations would significantly improve the federal student financial aid programs and better serve the students for whom they were designed.

We thank you for your consideration of these comments. We look forward to working with you in the reauthorization process.

Sincerely,

David Pierce

David Pierce
President

Workforce Education and Training

Despite rapid approval by the House of Representatives, an overhaul of the federal role in workforce education and training programs will not become final in 1997. Senate legislation to reform these programs has again stalled. The Senate adjourned for the year without voting on its consolidation bill. The earliest a vote can occur is late January or early February.

On September 24, the Committee on Labor and Human Resources, chaired by James Jeffords (R-VT), approved S. 1186, the Workforce Investment Partnership Act. The bill consolidates funding for adult job training (including JTPA), the Carl D. Perkins Vocational and Applied Technology Education Act, and the Adult Education Act into grants to states with separate funding and governance structures. However, a controversial section added to the bill at the eleventh hour has prevented the full Senate from voting on the bill. This provision would allow states to co-mingle funds from these various programs at their discretion, if they submit a unified state plan for two or more of the system programs. This provision could drain funding for vocational education or job training programs.

In addition, S. 1186 removes the set-asides contained in the current Perkins Act for single parents, single pregnant women and displaced homemakers, although the bill does specify that a state must spend $60,000 to provide technical assistance and advice to local education agencies and postsecondary institutions for gender equity activities. The bill also requires that some unspecified amount of funds must be used to provide access to programs for these populations. The bill provides that 14 percent of the Perkins basic state grant may be spent on state leadership activities, and 10 percent on state administration. This is much higher than the allocation these activities received in the House bill (see below). In the end, the totals for these activities will probably be set between the House bill and Senate bill totals, and close to current law. Finally, the Tech Prep program is reauthorized as a stand alone program with a separate authorization.

The adult job training portion of S. 1186 establishes local workforce partnership boards to replace existing Private Industry Councils (although their make up is similar), one-stop career centers, and emphasizes the use of individual training accounts (vouchers) to provide training. In addition, there is a strong emphasis on provider accountability. To maintain eligibility to be providers of services, providers would have to submit information on:

- program completion rates,
- the percentage of graduates placed in jobs,
- job retention rates for six and twelve months after program completion,
- wages upon placement and increases at six and twelve months after placement,
- where appropriate, rates of licensure or certification of graduates, attainment of academic degrees or equivalents, or attainment of other measures of skill, and
- program cost per participant in applicable programs.

These are much more stringent requirements than those included in the House passed job training bill (see below).

On May 16, the House of Representatives approved by a vote of 343-60 H.R. 1385, the Employment, Training, and Literacy Enhancement of Act of 1997. Introduced by Subcommittee on Postsecondary Education, Training, and Lifelong Learning Chairman Howard "Buck" McKeon (R-CA), this bill would create three separate block grants: one for adult job training (including JTPA), one for youth training, and one for adult basic education. The bill would replace existing Private Industry Councils with local workforce development boards. These boards would be composed of a majority of business representatives. Community colleges would have guaranteed representation on these boards. H.R. 1385 contains a very strong emphasis on using skills grants (vouchers) to allow adults to select training providers. All Title-IV (federal student financial assistance) eligible programs offered at community colleges would be automatically certified as eligible to receive federal training dollars, but will be required to report outcomes information on:

- program completion rates,
- the percentage of individuals in the applicable program who obtain employment, (this may also include information specifying the percentage of individuals who obtain employment in an occupation related to the program conducted), and
- the earnings at placement of individuals who complete the program.

On July 22, the House of Representatives approved H.R. 1853, the Carl D. Perkins Vocational-Technical Education Act Amendments, by a vote of 414-12. H.R. 1853 changes the current funding authority for Tech Prep from a separate funding authorization to 10 percent of the basic state grant. This could be problematic if basic state grant funding is cut. AACC supports a discrete Tech Prep authorization as provided for in S. 1186. Under H.R. 1853 the current sole state agency model will continue to be used to determine the state administrator of vocational education funds. In addition, community colleges will continue to have input in the development of the state vocational education plan, as in current law. Finally, the bill slashes the amount of funds available for use at the state level. Currently, states may use 5 percent of funds for state administration and 8.5 percent for state leadership activities. H.R. 1853 proposes to reduce those percentages to 2 percent and 8. percent respectively.

Assuming the Senate approves S. 1186, a conference committee will then meet to resolve the major differences between the three bills outlined above. This will not be an easy task and it is difficult to predict a timetable for such action. However, a serious effort to merge these bills will likely be made in spring 1998.

AACC Position: Support the strongest possible emphasis on the community college role in the governance of workforce education and training programs. Assure that community colleges have active participatory roles in state and local governance bodies. Assure that community colleges can be service providers in the broadest manner possible for adult education, vocational education, and adult training. Assure that accountability

requirements do not place an administrative burden on community colleges. For the Carl D. Perkins Vocational and Applied Technology Education Act, provide a strong emphasis on postsecondary vocational education, maintain a discrete Tech-Prep program, and protect the use of funds at the state level to support community college initiatives.

AACC Contact: Dave Buonora, Legislative Associate, extension 249.

Welfare Reform

BACKGROUND:

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (P.L. 104-193) ends the federal government's welfare entitlement that provided welfare benefits to all eligible low-income parents and children. A block grant to states replaces the Aid to Families with Dependent Children (AFDC) program. The newly created Temporary Assistance for Needy Families (TANF) block grant combines current funding under the AFDC program, state and local AFDC administration, Emergency Assistance (EA), and the Job Opportunity and Basic Skills (JOBS) program.

Under the new law, families that have been on welfare for five cumulative years (or less at state option) are ineligible for cash aid. States are permitted to exempt up to 20 percent of the caseload from this limit. States are also permitted to use their own funds to provide assistance after five years.

Adults in families receiving assistance under the block grant are required to participate in "work activities" after receiving assistance for 24 months. In addition, states are required to achieve minimum work participation rates that start at 25 percent in FY 1997 and increase 5 percent each year until FY 2002, when the rate remains at 50 percent. States that fail to meet these targets receive reduced block grants. The state work participation rates are as follows:

FY 1997 -- 25 percent	FY 2000 -- 40 percent
FY 1998 -- 30 percent	FY 2001 -- 45 percent
FY 1999 -- 35 percent	FY 2002 and beyond -- 50 percent

An individual must participate in one of the following activities to count toward the state's work participation rate:

1) unsubsidized employment
2) subsidized private sector employment
3) subsidized public sector employment
4) work experience
5) on-the-job-training
6) job search and job readiness assistance (up to 6 weeks)
7) community service programs
8) vocational education (not to exceed 12 months)
9) job skills training directly related to employment
10) in the case of a recipient who has not received a high school diploma or 7 ED -- education directly related to employment
11) in the case of a recipient who has not completed secondary school -- satisfactory attendance at secondary school or in a course of study leading to a GED
12) provision of child care services to an individual who is participating in a community service program

The law does not include a definition for what type of vocational education counts toward participation in work activities; the definition is left up to the states. It appears that states may include courses in basic education or developmental assistance in vocational education that counts towards the work participation rate. If these programs are not included in the definition, there will be a disincentive for states to fund them. In any case, no more than 20 percent of a state's welfare caseload pursuing vocational education can be counted towards meeting the work participation rate. Also, teenage TANF recipients in secondary school or working towards a GED automatically count towards the 20 percent ceiling for vocational education. (The law requires teen parents without a high school diploma to participate in educational activities directed toward receiving a high school diploma or GED, or participate in an alternative education and training program approved by the state.) It is possible that much of the 20 percent maximum for vocational education would be made up of teenagers in secondary school or pursuing a GED. This would create a further disincentive for states to invest in postsecondary vocational education for welfare recipients.

RECENT LEGISLATIVE ACTIVITY:

The Balanced Budget Act of 1997, the reconciliation spending bill signed by President Clinton on August 5, 1997, contains several welfare-related provisions of interest to community colleges. A key issue is the amount of vocational education in each state that can count as "work." Last year's welfare law allows 20 percent of a state's entire welfare *caseload* to count vocational education as work. Teen parents without a high school diploma would also be counted under the voc-ed cap. The Balanced Budget Act allows only 30 percent of the *work participation rate* to count vocational education as work. Teen parents without a high school diploma are excluded from the cap until FY 2000. This provision is an improvement over an earlier House-Senate agreement, but is significantly worse than current law as shown in the chart below.

Balanced Budget Act – Impact of Changes to Voc-Ed Cap

Fiscal Year	Balanced Budget Act Voc-Ed Cap as % of All Cases (30% wpr, teens excluded until FY 2000)	Balanced Budget Act Voc-Ed Cap on Adults in Training, After Serving Teen Parents (Rates in first column minus the 6% of cases headed by teen parents in FYs 2000 and beyond)	Last Year's Welfare Law Voc-Ed Cap After Serving Teens (20% of caseload minus the 6% of cases headed by teen parents)
FY 1997	7.5 % (30 % of 25 %)	7.5 %	14 %
FY 1998	9.0 % (30 % of 30 %)	9.0 %	14 %
FY 1999	10.5 % (30 % of 35 %)	10.5 %	14 %
FY 2000	12 % (30 % of 40 %)	6 %	14 %
FY 2001	13.5 % (30 % of 45 %)	7.5 %	14 %
FY 2002	15 % (30 % of 50 %)	9 %	14 %

* wpr = state work participation rate

The Act also includes $3 billion in welfare-to-work grant funding for state and local governments. Funds will be distributed in FY 1998 and 1999, and can be used until the end of FY 2001. Grant funds will be targeted to areas with high concentrations of poverty and long-term welfare recipients. The welfare-to-work grants will be administered by the Department of Labor and will assist long-term welfare recipients in finding and retaining jobs. More information on the welfare-to-work grants follows this summary.

A provision to restrict the minimum-wage guarantee and a range of worker protections for welfare recipients was dropped from the final bill. The minimum wage and other Fair Labor Standards Act requirements do apply to welfare recipients. The Department of Labor has prepared a guide entitled, "How Workplace Laws Apply to Welfare Recipients" to answer questions concerning the application of these laws to the Temporary Assistance for Needy Families program. The guide is available via internet at:
<www.dol.gov/dol/asp/public/w2w/welfare.htm>

The Balanced Budget Act continues Supplemental Security Income (SSI) and Medicaid eligibility for all legal immigrants who received benefits August 22, 1996, when the welfare law was enacted. In addition, legal immigrants residing in the US on this date will be eligible for SSI and Medicaid should they become disabled in the future. The Balanced Budget Act also extends the refugee exemption from the welfare restrictions from 5 to 7 years for SSI and Medicaid only. Therefore, refugees will have access to SSI and Medicaid for the first 7 years after entering the country. The Food Stamp exemption remains 5 years.

AACC Position: Remove teen parents working on a high school diploma or GED from the 20 percent vocational education limit, and allow basic educational activities to be included in the vocational education work requirement, as recommended by the National Governors' Association. Increase the 12 month limit on vocational education for the purposes of the state work participation rate to 24 months.

AACC Contact: Ashley Giglio, Legislative Associate, extension 220.

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AACC LETTER

SPECIAL EDITION

OCTOBER 22, 1997

WELFARE Watch

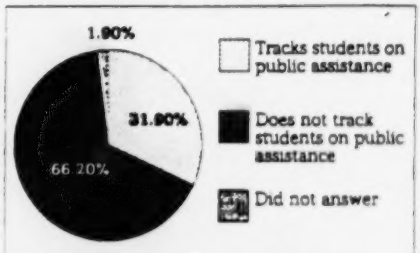
A LOOK AT:
- TANF guidelines
- Welfare-to-Work grants
- State plans

FROM THE DESK OF DAVE PIERCE

ISSUE #001

Because of the sea change in the public sector's approach to welfare policy, the American Association of Community Colleges (AACC) is initiating a series of special editions of the *AACC Letter*. With this effort, we hope to better inform our members of the complex web of rules, regulations, and funding sources that are the product of the 1996 welfare legislation and the subsequent 1997 budget reconciliation process.

The complicated legislation surrounding this issue has left many state and institutional leaders bewildered about the role of education and training in welfare reform. Current AACC research indicates many colleges do not know how many of their students receive public assistance, and many colleges cannot anticipate the potential impact of welfare reform on student enrollment.



Percent of community colleges that track students who receive cash public assistance

In the first of several installments of *Welfare Watch*, we will present an overview of the various pieces that constitute welfare reform, including the Temporary Assistance for Needy Families (TANF) block grant, which will form the foundation for long-term state operations.

Subsequent installments will focus on special initiatives, new developments, field data, and profiles of effective welfare-to-work programs in the community college setting. We will also survey our readers to collect up-to-the-minute information on welfare topics as they relate to community colleges.

AACC has every intention of making *Welfare Watch* an informative and useful guide to handling welfare-related issues. We welcome your comments and suggestions.

Last year, President Clinton signed into law the Personal Responsibility and Work Opportunity Act of 1996 (PRWOA), his pledge to "end welfare as we know it." The 1996 law ended the federal government's welfare entitlement that provided benefits to all eligible low-income parents and children. The newly created Temporary Assistance for Needy Families (TANF) block grant replaced the Aid to Families with Dependent Children (AFDC) program and the Job Opportunities and Basic Skills (JOBS) program. TANF is authorized to provide $16.4 billion for each year from fiscal year 1997–2003. The overarching purpose of the 1996 law is to move welfare recipients into jobs. To this end, the statute provides states with broad authority to place TANF recipients into "work activities." Several states have included education and training activities in their implementation efforts. Others have categorically denied these activities. More information on the 1996 law as well as AACC's welfare priorities can be found at the AACC Web site: http://www.aacc.nche.edu

Congress revisited the welfare issue again this year when it authorized a new program of welfare-to-work grants in the Balanced Budget Act of 1997. The welfare-to-work grants are technically part of TANF because the grants amend the TANF statute. However, welfare-to-work grants are still considered a separate, distinct program. They are administered by a different agency (the Department of Labor), for a special purpose, and for a short, two-year period of time. The following summary highlights the new welfare-to-work grants and directs readers to additional resources for more information.

WELFARE-TO-WORK GRANTS

Basic Provisions: The Balanced Budget Act of 1997 provides a total of

American Association of Community Colleges
One Dupont Circle, N.W., Suite 410, Washington, DC 20036 • Phone: (202) 728-0200 Fax: (202) 833-2467 • Internet: http://www.aacc.nche.edu

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$3 billion for welfare-to-work grants for the fiscal years 1998 and 1999. There will be two kinds of grants: formula grants (75 percent) and competitive grants (25 percent). The grants will be administered by the Department of Labor.

The welfare-to-work money will be allocated to states by a formula based on a state's share of 1) poor individuals and 2) adult recipients of TANF assistance. States will be required to forward 85 percent of the formula grant funds to local Private Industry Councils (PICs) for distribution. The grants target hard-to-serve TANF recipients who are having difficulty moving into unsubsidized jobs that provide long-term employment.

Federal Welfare Funding

Temporary Assistance for Needy Families

- $ 16.4 Billion
- All eligible applicants
- FY 1997-2003
- Duration of six years

Welfare-to-Work

- $ 3 Billion
- Targets "hardest to serve"
- FY 1998-2000
- Duration of two years

Relationship to TANF: TANF and welfare-to-work grants are two discrete programs, as illustrated by the following provisions:

- Welfare-to-work grant funds will be administered by the Department of Labor, rather than the Department of Health and Human Services.
- Welfare-to-work funds are restricted to activities outlined in the statute, rather than to the broader array of permissible uses of TANF funds.
- Welfare-to-work funds are targeted at hard-to-serve TANF recipients who are having difficulty moving into unsubsidized jobs that provide long-term employment.
- Welfare-to-work grants are authorized for only two years; TANF is authorized until 2003.
- States may not reserve unspent welfare-to-work funds for future purposes like they can with TANF.

Allowable Activities: Both formula grants and competitive grants must be used for allowable activities, which are defined as activities to move individuals into, and keep them in, lasting unsubsidized employment. The following are allowable activities:

- job creation through short-term public or private sector wage subsidies
- on-the-job training
- contracts with public or private providers of job readiness, job placement, and post-employment services
- job vouchers for similar services
- community service or work experience
- job retention and supportive services

Although the funds may not be used for independent or stand-alone training, basic education and vocational skills training may be provided as a post-employment service. The statute is silent on whether the training must be provided on the jobsite or whether it can be offered in a college setting or some alternative site. The Department of Labor plans to let states decide which training mechanism to employ.

Grant Focus: At least 70 percent of a grantee's formula or competitive grant funds must be spent for TANF recipients who satisfy both a "barriers to employment test" and a "TANF receipt test". The individual must have at least two of three barriers to employment, including the following:

1. no high school diploma or GED *and* low skills in reading or mathematics;
2. substance abuse treatment required for employment;
3. poor work history.

In addition, the individual must have received TANF assistance for at least 30 months or be within twelve months of reaching a TANF time limit. Up to 30 percent of the funds may be spent on other TANF recipients who have characteristics associated with long-term welfare dependence.

Welfare-to-Work State Plans: In order for a state to qualify for a grant, the Secretary of Labor must determine that the state meets the following requirements:

TANF Plan Addendum: The Secretary of Labor determines that the state has submitted a TANF state plan addendum to the Secretaries of Labor and Health and Human Services. The plan should do the following:

1. describe how the state will use funds provided under the formula grant during the fiscal year;
2. specify the formula to be used to distribute funds in the state and describe the process by which the formula was developed;
3. contain evidence that the plan was developed in consultation and coordination with appropriate entities in sub-state areas;

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4. contain an application to the U.S. Secretary of Labor for a waiver of the general requirement of PIC administration, if the governor desires to have an agency other than the PIC administer the funds.

Sub-State Formula for Allocation of Formula Grant: A state receiving a formula grant must devise a formula for allocating at least 85 percent of the grant among the service delivery areas in the state. The formula:

1. must give a weight of at least 50 percent to the poverty factor;
2. may determine the amount to be allocated for the benefit of a service delivery area based on its proportionate share of adults who have received TANF for at least 30 months;
3. may determine the amount to be allocated for the benefit of a service delivery area based on its proportionate share of unemployed individuals.

Federal Allocation: $3 billion is authorized to be allocated as follows: $1.5 billion in fiscal year 1998 and $1.5 billion in fiscal 1999. Part of the funds will be further distributed as follows:

- $100 million in fiscal year 1999 will be reserved for performance bonuses;
- 1 percent of the available funds each year will be set aside for grants to Native American tribes;
- 0.6 percent will be reserved for use by the U.S. Secretary of Health and Human Services for evaluations of welfare-to-work grants.

State Allocation: Each state's allocation of the formula grants will be calculated based on the state's proportion of individuals with incomes below the poverty line and the state's proportion of adult TANF recipients.

Time Limits: When a family receives assistance through federal TANF funds, it is subject to TANF time limits and TANF work participation requirements. The TANF provisions apply if "assistance" is provided, regardless of whether it is cash or non-cash assistance.

The welfare-to-work grants draw a distinction between cash and non-cash assistance. Non-cash assistance provided from welfare-to-work funds will *not* be considered assistance for purposes of the five-year time limit on using TANF funds. However, months when cash assistance is provided, directly or indirectly (e.g. wage subsidies) *do* count toward the five-year time limit.

Regulations: The Department of Labor has issued draft interim planning guidance on the welfare-to-work formula grants. The guidance is available on the Internet at http://wtw.doleta.gov The Department of Labor expects to issue *interim* final regulations at the end of October. These regulations take effect on the date of issuance but are also subject to a 60-day public comment period. The Department of Labor will issue final regulations in January 1998 and is currently drafting guidelines for the competitive grants.

Community Colleges: Community colleges should immediately contact state and local officials working on the development of their state's welfare-to-work plan to ensure that two-year colleges are a part of the process. Community colleges are eligible to receive funds from their local PIC for basic education and vocational skills training as a post-employment service. Furthermore, it is anticipated that community colleges will be eligible to apply for the competitive grant process as it is implemented.

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FOR MORE INFO CONTACT:

- Ashley Gucho, AACC, ext 220, agucho@aacc.nche.edu
- Jim McKenney, AACC, ext 220, jmckenney@aacc.nche.edu

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National Science Foundation Authorization/Appropriation Issues

The National Science Foundation (NSF) has substantially bolstered its support for community colleges through the establishment of the Advanced Technological Education (ATE) program. Designed exclusively for associate degree-granting institutions, the ATE program promotes improvement in advanced technological education through the support of curriculum development and program improvement, and by targeting technicians being educated for employment that requires the use of advanced technologies. Such technicians typically earn an associate degree in engineering or science technology that qualifies them for immediate employment or for transfer to a four-year institution.

The ATE Program is designed to support a wide variety of projects, including National/Regional Centers of Excellence in Advanced Technological Education; projects for the development of instructional materials and curriculum, instrumentation and laboratory improvement, and faculty development; and a few special projects such as conferences and studies designed to foster a better understanding of issues in advanced technological education.

Since its inception in Fiscal Year (FY)1994, the ATE program has awarded 144 grants to improve the quality of advanced technological education in science and engineering fields, and the basic mathematics and science core underlying such programs. The FY 1996 awards supported two new Centers of Excellence and 34 projects to reform technological education. The ATE program also funded two "special projects," including several national workshops and a report on standards for mathematics education.

The Administration's FY 1998 budget for the National Science Foundation requested $29.2 million in ATE funding. The House Veterans' Affairs, Housing and Urban Development, and Independent Agencies Appropriations Subcommittee wrote its FY 1998 bill (H.R. 2158) to provide funding for the ATE program on June 25. Thanks to Representative David Price (D-NC), the subcommittee provided $31.2 million for the ATE program, $2 million over the amount requested by the Administration, and $3 million more than current funding. The House passed H.R. 2158 on July 16. The Senate approved its version of the bill (S. 1034) on July 15; it did not include a specific request for the ATE program. The conference report includes $31.2 million in funding for the ATE program, as requested by the House. It passed the House October 8 and the Senate on October 9. The report was signed into law (P.L. 105-65) on October 27. This is a big achievement for community college advocates.

The House Science Committee§s Subcommittee on Basic Research heard about the importance of science, math, engineering and technology education at community colleges during a hearing on the FY 1998 budget for the National Science Foundation (NSF). Alfredo de los Santos, vice chancellor for student and educational development at Maricopa Community College, testified before the Subcommittee that the changing nature of work and the workforce make science and math education every bit as important for the student who obtains an associate degree as for a doctoral student. De los Santos also highlighted the accomplishments of the Advanced Technological Education (ATE) program.

Congress has begun reauthorizing NSF programs for FYs 1998 and 1999. The House passed H.R. 1273, the NSF Reauthorization Act of 1997, on April 24. The bill does not include major policy changes. Instead, H.R. 1273 authorizes existing programs at slightly higher levels than currently provided. The Senate Labor and Human Resources Committee approved its version of the bill (S. 1046) on July 23. S. 1046 was placed on the Senate calendar October 15, but was removed from the schedule and referred to the Senate Commerce Committee on October 20.

In addition, the House Science Committee is conducting a comprehensive examination of science and mathematics reform. This review will not be limited to NSF programs, but will expand beyond the legislative scope of the Science Committee into programs at the Education and Labor Departments. It is unclear whether this activity will result in legislation; if so, action will occur late in the second session of the 105th Congress. AACC will make recommendations to the committee during this process.

AACC Position: AACC supports funding the ATE program at its authorized maximum of $35 million in FY 1998. In addition, the ATE program should be extended in its current form with a dedicated line of funding in the reauthorization of NSF programs during the 105th Congress.

AACC Contact: Ashley Giglio, Legislative Associate, extension 220.

International Education

Funding for international education programs of interest to community colleges spans several different federal agencies, including the Department of Education, the Agency for International Development, and the United States Information Agency.

International education programs at the Department of Education are authorized under Title VI of the Higher Education Act (HEA) and the Fulbright-Hays 102(b)(6) program. These initiatives are the primary mechanisms by which the federal government supports the development of the nation's international expertise. The federal investment in these programs is primarily justified on the grounds that they serve U.S. national security interests.

The President's FY 1998 budget proposes a freeze on Title VI funding and a small increase in the Fulbright-Hays program. Specifically, the budget includes $53.5 million for Title VI domestic programs and $5.8 million for Fulbright-Hays. Overall, the budget request for the Department of Education was increased by 34 percent over FY 1997. AACC will seek a $5.5 million, or 10 percent increase, in Title VI domestic programs, and a $1 million, or 20 percent increase, in Fulbright-Hays.

The House Labor, Health and Human Services and Education Appropriations Subcommittee wrote its FY 1998 funding bill (H.R. 2264) July 15. The Subcommittee recommended FY 1998 funding of $54.5 million for the Title VI domestic programs, an increase of $1 million over FY 1997. Level funding of $5.8 million was recommended for the Fulbright-Hays 102(b)(6) programs. The House approved H.R. 2264 on September 17. The Senate Appropriations Committee reported its version of the bill (S. 1061) on July 24; it included $53.5 million for the Title VI domestic programs and $5.9 million for Fulbright-Hays. S. 1061 passed the Senate on September 17. The conference report includes $53.5 million for Title VI domestic programs, a $100,000 increase over FY 1997, and $5.7 million for Fulbright-Hays, a $500,000 increase or almost 10 percent over FY 1997. This is an especially favorable outcome as Fulbright-Hays has not received a significant increase in funding since the early 1980's.

The process of reauthorizing the Higher Education Act has begun. Both the House and Senate have held hearings in the field and in Washington. The House Committee on Education and the Workforce and the Senate Labor and Human Resources Committee will not write reauthorization bills before the end of this year. Reauthorization will begin in earnest in 1998.

Through the Coalition for International Education, community colleges participated in a task force on Title VI. AACC appointed Don Matthews, Director of International Programs, Daytona Beach Community College, to represent community college interests on the task force. The task force agreed to a basic set of principles and forwarded a detailed proposal with no major program changes to Congress in May.

The Administration's FY 1998 budget for the Education and Cultural Exchanges bureau at the United States Information Agency (USIA) is essentially level funding of $198 million. USIA Director Joseph Duffey testified before the House Commerce, Justice, State Appropriations Subcommittee this spring and stated that the USIA budget contains a $4.6 million

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reduction in exchanges. This includes $1.9 million in academic programs and $2.6 million in professional/cultural programs. There is no specific request for the College and University Affiliations program. USIA's overall budget was cut by almost $200 million in the President's budget.

The House Commerce, Justice, State (CJS) Appropriations Subcommittee wrote its FY 1998 appropriations bill (H.R. 2267) July 10. House appropriators funded educational and cultural exchange programs at $193.7 million, an increase of $8 million over FY 1997. However, due to accounting changes, most of this increase will fund administrative expenses related to exchange programs. H.R. 2267 was approved by the House on September 30. The Senate CJS Appropriations Subcommittee approved $200 million in funding for educational and cultural exchange programs in S. 1022. Report language accompanying the Senate CJS bill contained language that would prohibit USIA from funding organizations whose government indirect cost rates exceed 15 percent. The Senate report also included language that authorized funding for specific USIA programs, but excluded the College and University Affiliations program. S. 1022 passed the Senate July 29.

House and Senate conferees agreed to the conference report on November 13. The CJS conference report includes $197.7 million for educational and cultural exchange programs. Conferees specifically earmarked $94.236 million for Fulbright Academic Exchanges, and $103.495 million for other exchange programs and support. The conference report also eliminates the implicit prohibition of funding for programs not included in the original Senate report, including the College and University Affiliations program.

Conferees eliminated the 15 percent indirect cost language and replaced it with the following: "USIA will ensure that Federal funding for exchange programs will be used to support the actual exchange of participants to the maximum extent possible by cost-sharing with other governments, by entering into partnerships with private organizations that make available non-governmental resources, and by eliminating funding of administrative costs that do not demonstrably enhance the number or duration of exchanges."

The FY 1998 State Department authorization bill (S. 903) was approved by the Senate June 17. The bi-partisan bill gives the Administration a green light to merge the USIA and the Arms Control and Disarmament Agency into the State Department. The Agency for International Development (AID) will remain a separate agency and the AID Administrator will be placed under the direction of the Secretary of State. Of interest to community colleges is the education and cultural exchange programs at USIA, which are also authorized in the bill. The authorization levels for educational and cultural exchange programs total $200 million, with $99.2 million for the Fulbright program and $100.7 million for other exchange programs. The House version of the authorization bill (H.R. 1757) was approved in early June. The formal conference on the bills began in late July and was stalled for several months. A bipartisan conference agreement was reached but became a casualty of last minute political maneuvers and compromises. The bill will be brought up again next year. Without congressional authority, many aspects of the reorganization process cannot move forward. AACC will monitor the implementation of the State Department consolidation to ensure that international exchange programs remain an important part of USIA's agenda.

AACC Position: AACC supports a strong federal role in international education, particularly continued funding of the Title VI and Fulbright-Hays 102(b)(6) programs. Community colleges also support continued funding of the College and University Affiliations program at USIA. AACC will monitor the implementation of the State Department consolidation to ensure that international exchange programs remain an important part of USIA's agenda.

AACC Contact: Ashley Giglio, Legislative Associate, extension 220.

Educational Assistance Through Tax Policy

On August 5, President Clinton signed into law the Tax Payer Relief Act of 1997 (P.L. 105-34). Currently, the Department of the Treasury, in conjunction with the Department of Education and the Internal Revenue Service, is working to issue regulations implementing the provisions of this law, particularly the Hope Scholarship and Life Long Learning tax credits. The statute requires colleges to submit the following information to the Internal Revenue Service so students can claim the tax credit:

- Name, address and social security number of student,
- Name, address and social security number of anyone who the student certifies will be claiming the student as a dependent,
- Name, address and EIN of educational institution, and phone number of contact person, and
- Gross amount of tuition student is expected to cover from any source other than tuition remission.

The law also gives the Treasury Department authority to request additional information. At this time, Treasury is considering requiring colleges to do the following: 1) report whether a student has completed two years of postsecondary education prior to January 1, 1998, and 2) certify that the student was in attendance at least half time for any academic period beginning during 1998.

AACC and other higher education associations met with Treasury officials on September 25 about these provisions. In addition, Treasury held two regional meetings during which representatives of individual colleges had the opportunity to ask Treasury officials questions about the law and the regulatory process. At these meetings Treasury officials heard that it will be very difficult for colleges to provide some of the information described above. The Treasury Department intends to issue regulations that are not an undue burden on institutions, but at the same time fulfill statutory requirements. Interim final regulations are scheduled to be issued in late November or early December. AACC will disseminate this information to colleges as widely as possible once it becomes available.

It is important to note that the effective date of the Hope Scholarship Tax Credit is December 31, 1997. This can have important implications for our eligible students. If a student pays tuition before December 31, 1997, for classes beginning next year, he or she will not be eligible for the tax credit. However, if a student pays tuition for classes that begin in 1998 after December 31, 1997, the payment may be applied to the tax credit. This is only a one-year situation. In future years, payments made in the calendar year prior to enrollment will be applicable to the credit for that year provided the class begins by the following March 31.

For more information about the tax law please see the AACC home page. The home page is connected to IRS Notice 97-60, which provides guidance on these education tax incentives in an easy to read question and answer format.

AACC Position: Work with the Treasury and Education Departments and the Internal Revenue Service to craft regulations that will not create an undue reporting burden on community colleges as these tax provisions are implemented.

AACC Contact: Dave Buonora, Legislative Associate, extension 249.

Provisions of the Tax Payer Relief Act (P.L. 105-34) That Have Implications for Community Colleges

Tax Credit for the First Two Years of Postsecondary Education: Students can receive a Hope Scholarship equal to 100% of the first $1,000 of tuition and fees and 50% of the second $1,000. The credit will be available for college enrollment after January 1, 1998. The credit is phased out for joint filers between $80,000 and $100,000 of income, and for single filers between $40,000 and $50,000. Students must be enrolled at least half-time to be eligible.

Tax Credit Beyond First Two Years of Higher Education: Undergraduate students, graduate students, and adults going back to college are eligible for this "lifetime learning credit". This is a tax credit worth 20% of the first $5,000 of tuition and fees through 2002 and 20% of the first $10,000 in fees thereafter. This credit is available for college enrollment after July 1, 1998, and is phased out at the same income levels as the Hope Scholarship.

Section 127 of the IRS Code: Section 127 allows working adults to exclude from taxable income up to $5,250 in employer-provided educational assistance. Section 127 expired for undergraduate students on May 31, 1997. Under the agreement Section 127 has been extended for three years retroactively from May 31, 1997. Unlike in the past, this benefit will no longer be applicable to graduate programs.

Section 117 of the IRS Code: Section 117 excludes from income amounts received as a qualified scholarship by an individual as well as support received as part of a tuition remission program for both graduate students and relatives of employees of colleges and universities. As approved by the Committee on Ways and Means, the tax bill would have eliminated this benefit. This provision was removed from the final agreement. Therefore, there will be no change to the benefit students receive under Section 117.

Deduction of Student Loan Interest: The agreement allows a deduction of up to $2,500 per year of interest on education loans for expenses of students enrolled in higher education. The maximum deduction is $1,000 the first year, increasing in $500 increments each year until reaching $2,500. This benefit is effective for payments of interest due beginning January 1, 1998. It is available to joint filers with incomes between $60,000 and $75,000 and to single filers with incomes between $40,000 and $55,000.

Savings Incentives: The agreement allows individuals to make withdrawals penalty-free from an IRA to pay for higher education. The agreement also creates education IRAs. The annual contribution to these accounts is generally limited to $500 per beneficiary and the funds can be withdrawn tax free to pay for tuition, fees, books, supplies, equipment, and certain room and board expenses.

Tax Treatment of TIAA-CREF: The agreement adopts the changes to the tax treatment of TIAA-CREF as proposed in the House tax bill. The agreement contains a provision that would end TIAA-CREF's current pension fund exemption and impose a tax rate of up to .05 percent on the fund's assets. This could result in reduced annual investment income for plan participants.

Telecommunications and Technology and the Higher Education Act

Telecommunications

Background: The Telecommunications Act of 1996, includes a universal service provision requiring telecommunications carriers to provide affordable rates to educational institutions, non-profit libraries and rural health providers. The law establishes a universal service fund totaling $2.25 billion to fund these services. As outlined in the statute, affordable rate benefits, known as the "E-Rate", will be extended to educational institutions at the elementary and secondary levels; the law allows postsecondary institutions access to these benefits when working in consortia with K-12 institutions. A community college could provide distance learning services to a secondary school and benefit from the secondary school's discounted rates provided the secondary school orders and pays for the telecommunications link. Community college libraries will only be eligible for discounted rates if their budgets are separate and independent from the budget of the college. Community colleges are eligible for discounted rates as rural health providers if they offer health care instruction or provide health care services, are public or non-profit, located in a rural area, and the discounted services are only used for purposes related to health services or instruction. A detailed summary of the universal service provisions has been prepared by AACC legislative counsel, Dow, Lohnes, and Albertson, and is available on the AACC home page at <http://www.aacc.nche.edu/govtrel/dlalaw/doc2.html>. If you do not have web access a copy may be obtained from Dave Buonora at AACC, at 202-728-0200 extension. 249.

Latest Development: Universal service funds will be available in January, 1998, but schools must apply for them. Eligible schools will need to submit applications for their discounted services to the E-Rate fund administrator. To get ready to apply, schools and libraries should develop long-term plans for the use of technology. Schools will need to assess their technology needs and conduct inventories of available technology and resources. There are two ways to get more information about the E-rate and to learn how to apply for discounted service. You can contact the U.S. Department of Education at 1-800-USA-LEARN or you can visit its web site at http://www.ed.gov/Technology.

Technology and the Higher Education Act

In the last reauthorization of the Higher Education Act in 1992, Congress developed the terms under which telecommunications courses can be paid for with federal student aid funds. Current law allows that distance learning students are only eligible for student aid if they are enrolled in a degree program. Given the dramatic change in the use of technology on college campuses over the last five years, there is a virtual consensus that the Higher Education Act should be modified to reflect the expanded use of educational technology by community college students.

To reflect these changes AACC has proposed that programs offered at institutions of higher education that are authorized to offer associate, bachelor or graduate degrees

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should not be considered correspondence courses. Students enrolled in telecommunicated programs at these institutions should be eligible to receive Title IV student financial aid. Under these conditions, aid should be extended to students enrolled in certificate programs of one year or longer as well as degree programs.

Neither congressional Republicans nor the Department of Education have formally submitted their proposals to reauthorize the Higher Education Act. In-depth discussion of these and other Higher Education Act issues should begin after the first of the year.

AACC Position: Assure that community college students enrolled in degree and certificate programs of one year or longer offered through distance learning programs are eligible for federal student aid.

AACC Contact: Dave Buonora, Legislative Associate, extension 249.